Forest Renewal
British Columbia

2001/02
Annual Performance Report

Forest Renewal
British Columbia

DOC
BC
F577
B:P
2001/02
c.3

LEGISLATIVE LIBRARY
VICTORIA, B.C.
JUL 29 2002

LEGISLATIVE LIBRARY OF BRITISH COLUMBIA
3 3298 00265 5117

102-06795/

Forest Renewal
British Columbia

2001/02
Annual Performance Report

BRITISH COLUMBIA

Forest Renewal
British Columbia

National Library of Canada Cataloguing in Publication Data
Forest Renewal BC.
Annual performance report. — 2000/01 -

Annual.
Report year ends Mar. 31.
Continues: Annual report. Forest Renewal BC. ISSN 1205-9080.
ISSN 1499-0571 = Annual performance report — Forest Renewal BC

1. Forest Renewal BC — Periodicals. 2. Forest management — British Columbia — Periodicals. 3. Forests and forestry — British Columbia — Periodicals. 4. Forest policy — British Columbia. I Title.

SD14.B7F67 354.5'5'0971105 C2001-960180-8

Message From the Chief Executive Officer

This 2001-02 summary document marks the final annual performance report for Forest Renewal BC.

The government that was elected in May 2001 was committed to reviewing Forest Renewal BC and its operations. The outcome of that review was to wind-up the Crown corporation at the end of 2001-02.

Forest Renewal BC's existence came to a close with program investments of nearly $250 million this past fiscal year, directed at producing healthier second-growth forests, restoring watersheds, enhancing forest knowledge and growing the value-added sector.

The Forest Investment Account, a new forest-sector investment model led by government and delivered by industry, replaces Forest Renewal BC. The Forest Investment Account will help develop a globally recognized, sustainably managed forest industry. Account funding will be available for land-based activities, marketing, value-added growth and research to promote forest stewardship.

Don Wright
Chief Executive Officer
Forest Renewal BC

TABLE OF CONTENTS

Message From the Chief Executive Officer III

Organizational Overview 1
- Mandate 1
- Structure 1
- Core Services Review — Forest Renewal BC 1

Progress on Meeting Corporate Strategic Objectives 2
- Strategic Objective 1 — Sustainable Harvest 2
- Strategic Objective 2 — Enhance Environmental Values 3
- Strategic Objective 3 — Strengthen Sustainable Forest Management 4
- Strategic Objective 4 — Strengthen and Expand the Value-Added Sector 5
- Strategic Objective 5 — Stimulate Workforce Development to Strengthen the Forest Sector 6
- Strategic Objective 6 — Sustain and Diversify Forest Community Economies 7
- Strategic Objective 7 — Increase Forest Renewal BC's Effectiveness and Efficiency 8

Corporate Governance 9

Consolidated Financial Statements 11

Organizational Overview

In June 1994, the province enacted the *Forest Renewal Act* to renew the forest economy of British Columbia by improving forest management of Crown lands, support training for displaced forestry workers, and promoting enhanced community and First Nations involvement in the forestry sector.

To achieve these objectives, the *Forest Renewa! Act* called for the creation of Forest Renewal BC, a Crown corporation, and authorized it to work with a broad array of partners across BC to help build a more diversified, sustainable forest economy that supports local communities, workers and their families. Through these partners, which include educational institutions, First Nations groups, community groups, forest companies, and other government agencies, Forest Renewal made strategic investments to renew the Crown's forests, improve knowledge about sustainable forest management techniques, support forest dependent communities and workers, and promote the expansion of value-added forest product industries.

Mandate

To plan and implement a program of investments to renew the forest economy of British Columbia by enhancing the productive capacity and environmental values of forest lands, creating jobs, providing training for forest workers, and strengthening local communities that depend upon the forest industry.

Structure

A board of directors representing major stakeholder groups and regions of the province governed Forest Renewal BC. Six regional offices, located in Williams Lake, Prince George, Kamloops, Smithers, Cranbrook and Nanaimo worked with communities and individuals to ensure local involvement in regional investment plans and priorities. The Forest Renewal BC executive and corporate support staff were located in Victoria.

Core Services Review — Forest Renewal BC

In the spring of 2001, a new government administration was elected. The new government articulated a *New Era* commitment to review the operation of Forest Renewal BC. As part of the Core Services Review process, an analysis was initiated to determine if Forest Renewal BC investments lined up with the new government's priorities, if commitments were consistent with future revenue, and if programs were being delivered as effectively as possible. Based on the findings of the review, the decision was made to eliminate Forest Renewal BC effective March 31, 2002 and replace it with a new investment model — the Forest Investment Account.

Progress on Meeting Corporate Strategic Objectives

Forest Renewal BC focuses its five investment envelopes (Land & Resources, Environment, Value-Added, Workforce and Community) to achieve six corporate strategic objectives. A seventh strategic objective guides the corporation's internal operations.

The figures provided in Tables 1-7 are unaudited and are derived from data entered into Forest Renewal BC's Investment Management System. Some investment envelope programs directly support more than one strategic objective. Research, endowment, and performance measure and evaluation program expenditures have been pro-rated and reported in the Sustainable Harvest, Enhancing Environmental Values and Strengthening Sustainable Forest Management strategic objectives, based on approved investments in the 2001/02 Business Plan.

Variances in some strategic objective outputs are attributable to the wind-up of Forest Renewal BC resulting in inconsistencies in reporting activity outputs and submissions.

Strategic Objective 1 — Sustainable Harvest

Forest Renewal BC will invest in the production of faster-growing, higher-quality stands of second-growth timber.

Key 2001-02 investment areas under this strategic objective included:

- Enhanced forestry (e.g., spacing, pruning, fertilizing) and tree improvement (e.g. developing genetically superior seed stock) activities to maximize the volume, value and health of second growth forests;
- Backlog reforestation activities (e.g., site preparation, planting) on areas that prior to 1987 were not satisfactorily re-stocked after past harvesting or natural disturbance, such as fires or pests. It also invested in the silvicultural treatment (i.e., brushing) of backlog lands where the growth of crop trees was impeded by competition from other vegetation; and
- Other initiatives (e.g., silviculture strategies) that provide a basis for defining forest management-unit objectives and priorities and for making better investment decisions.

Table 1 — Sustainable Harvest

2001/02 Program Investments ($ millions)		
Business Area / Program	**2001/02 Business Plan**	**2001/02 Actual**
Increasing the Productivity and Value of Second-growth Forests		
Enhanced Forestry	36.650	36.391
Tree Improvement	5.880	5.855
Research	4.510	4.768
Endowment	0.350	0.102
Increasing the forest growing area		
Backlog	49.380	45.702
Small Woodlands	2.670	2.839
Research	1.060	1.109
Performance measurement, Evaluation and audit		
Performance measurement, Evaluation and audit	0.310	0.023
TOTALS	**100.810**	**96.789**
Selected Outputs		
Hectares Treated — Enhanced Forestry	40,073	37,721
Hectares Treated — Backlog	42,415	50,195
Research studies completed	20	62
Employment (person-years)	1,298	802

Strategic Objective 2 — Enhance Environmental Values

Forest Renewal BC will invest in restoring forest watersheds and in promoting environmental stewardship and strong environmental values in B.C.'s forests.

Key 2001-02 investment areas under this strategic objective included:

- Rehabilitation of riparian areas which are critical to higher water quality and fish habitat;
- Deactivation or rehabilitation of old logging roads to reduce the risk of sediment delivery to streams;
- Restoration of streams and fish habitat that were previously damaged or threatened by past harvesting activities or natural disturbances; and
- Other initiatives and studies designed to maintain and enhance biodiversity within the province.

Table 2 — Enhance Environmental Values

2001/02 Program Investments ($ millions)		
Business Area / Program	**2001/02 Business Plan**	**2001/02 Actual**
Protecting and Restoring Watersheds		
Watershed Restoration	46.960	41.883
Research	2.210	2.328
Endowment	0.680	0.198
Environmental infrastructure		
Recreation	0.040	0.036
Ecotourism	1.050	0.921
Increasing land area for biodiversity		
Private Forest Biodiversity	1.430	3.951
Terrestrial Ecosystem Restoration	2.000	2.030
Performance measurement, Evaluation and audit		
Performance measurement, Evaluation and audit	0.260	0.019
TOTALS	**54.630**	**51.366**
Selected Outputs		
Hectares of riparian area rehabilitated	599	4,302
Kilometres of road deactivated/rehabilitated	1,989	2,147
Kilometres of stream restored	189	168
Research studies completed	9	75
Employment (person-years)	391	305

Strategic Objective 3 — Strengthen Sustainable Forest Management

Forest Renewal BC will invest in the development of relevant, useable, timely information and tools that are key to achieving sustainable forest management.

Key 2001/02 investment areas under this strategic objective included:

- Providing information and tools to improve existing strategic decision-making processes;
- Piloting and monitoring new approaches and tools for strategic planning and decision-making; and
- Research studies adding to the knowledge base essential to build a healthier, more productive forest-sector and to sustain the full range of resources and values derived from the forest.

Table 3 — Strengthen Sustainable Forest Management

2001/02 Program Investments ($ millions)		
Business Area / Program	**2001/02 Business Plan**	**2001/02 Actual**
Providing information and tools		
Resource Information	57.400	53.970
Research	9.730	10.275
Crown Land-Use Planning	3.700	3.176
Endowment	0.200	0.059
Piloting and Monitoring new approaches		
IFPA's	12.280	12.229
EFMPP's	1.850	1.879
Performance measurement, Evaluation and audit		
Performance measurement, Evaluation and audit	0.210	0.015
TOTALS	**85.370**	**81.603**
Selected Outputs		
Kilometres of fish stream inventoried	8,676	20,369
Wildlife habitat inventory studies completed	134	166
Vegetation inventory studies completed	48	32
Research studies completed	38	56
Employment (person-years)	727	507

Strategic Objective 4 — Strengthen and Expand the Value-Added Sector

Forest Renewal BC will strengthen and expand BC's value-added sector through strategic investments with leading industry partners.

Key 2001-02 investment areas under this strategic objective included support for:

- Improving the value-added sector organization through improving the co-ordination and communication among primary and secondary operations and increasing public awareness of the value-added industry;
- Increasing knowledge and the development of markets;
- Improving the application of new and existing technologies;
- Improving access to leveraged financing; and
- Value-added skills training.

Table 4 — Strengthen and Expand the Value-Added Sector

2001/02 Program Investments ($ millions)		
Business Area / Program	**2001/02 Business Plan**	**2001/02 Actual**
Improving sector organization		
Industry Infrastructure	1.850	1.673
Increasing knowledge and development of markets		
Market Development	6.180	7.289
Improving the application of technologies		
Value-added technology	1.750	2.452
Innovation Development	0.800	0.656
Research	0.230	0.000
Endowment	0.230	0.000
Improving access to leveraged financing		
Value-added Business Development	2.100	1.421
Skills Training		
Value-added Training	3.000	3.146
Performance measurement, Evaluation and audit		
Performance measurement, Evaluation and audit	0.060	0.038
TOTALS	**16.200**	**16.675**
Selected Outputs		
Incremental sales increase to primary industry ($ millions)	65	354
Incremental sales increase to secondary industry ($ millions)	54	
Number of market leads generated	2,000	13,544
Improved operating efficiencies ($ millions)	12	25
Investment leveraged ($ millions)	5	22
Training provided (person-days)	9,000	24,045

Strategic Objective 5 — Stimulate Workforce Development to Strengthen the Forest Sector

Forest Renewal BC will work with partners to identify key gaps in knowledge for labour market development, and to plan and implement appropriate actions to address emerging issues in the forest-sector workplace.

Key 2001-02 investment areas under this strategic objective focussed on:

- Capacity building to help create partnerships and networks among Forest Renewal BC stakeholders and address key forest-sector issues;
- Workforce development supporting stakeholder participation in programs that address emerging skills gaps or support the diversification of the forest sector;
- Labour market information working with stakeholders in developing tools and collecting information on the forest-sector labour force; and
- Consultation supporting initiatives that encourage public consultation on forest-sector labour force development issues.

Table 5 — Stimulate Workforce Development to Strengthen the Forest Sector

2001/02 Program Investments ($ millions)		
Business Area / Program	**2001/02 Business Plan**	**2001/02 Actual**
Labour force development		
Labour Force Development Initiative	7.000	0.169
Bursary	0.100	0.092
Adjustment programming		
Forest Worker Re-employment Services	2.000	0.354
Performance measurement, Evaluation and audit		
Performance measurement, Evaluation and audit	0.070	0.016
Investments being phased out		
Forest Worker Transition	0.150	0.351
New Forest Opportunities Ltd.		1.267
TOTALS	**9.320**	**2.249**
Selected Outputs		
Number of pilot / research projects funded	9	Not available

Strategic Objective 6 — Sustain and Diversify Forest Community Economies

Forest Renewal BC will provide support to forest dependent communities and First Nations to help sustain and diversify their forest economies.

Key 2001-02 investment areas under this strategic objective included supporting initiatives such as:

- Increasing forest community knowledge and decision making towards enhancing and strengthening local resilience and global competitiveness;
- Increasing the participation of First Nations in the forest economy by encouraging the development of commercial joint ventures and partnerships between First Nations and forest-sector businesses; and
- Increasing the financing capacity of communities by partnering with community-based lending institutions to increase the amount of capital in local revolving loan funds for forest-sector businesses.

Table 6 — Sustain and Diversify Forest Community Economies

2001/02 Program Investments ($ millions)		
Business Area / Program	**2001/02 Business Plan**	**2001/02 Actual**
Increasing forest-community knowledge and decision making		
Forest Community Development	5.000	0.000
Increasing the participation of First Nations		
Forest Community Economic Development	4.000	3.267
Increasing the financing capacity of communities		
Forest Community Business	1.230	0.032
Performance measurement, Evaluation and audit		
Performance measurement, Evaluation and audit	0.0600	0.016
TOTALS	**10.290**	**3.315**
Selected Outputs		
Number of communities assisted	189	Not available
Number of businesses assisted	200	122
Number of partnerships (e.g., joint ventures) started	25	11
Additional investments leveraged ($ millions)	10	5.3

Strategic Objective 7 — Increase Forest Renewal BC's Effectiveness and Efficiency

Forest Renewal BC will increase its effectiveness and efficiency to optimize the impact of its investments while maintaining low administrative costs.

Key 2001-02 investment areas under this strategic objective focussed on:

- FRBC administrative costs and agency support; and
- Wind-up and closure of Forest Renewal BC.

Table 7 — Increase Forest Renewal BC's effectiveness and efficiency

2001/02 Program Investments ($ millions)		
Business Area / Program	**2001/02 Business Plan**	**2001/02 Actual**
Corporate Administration		
Core	14.200	11.332
FRBC Wind-up	0.000	4.743
TOTALS	**14.200**	**16.075**
No. of Staff	96	Not applicable

Corporate Governance

In early July 2001, the Forest Renewal BC board of directors was replaced by an interim board consisting of the Minister of Forests, the Honourable Michael de Jong. At the same time the Deputy Minister of Forests, Don Wright, assumed the responsibilities of the Chief Executive Officer.

On March 31, 2002, Forest Renewal BC ceased to exist.

Consolidated Financial Statements

March 31, 2002

FOREST RENEWAL BC

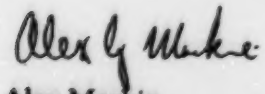
MANAGEMENT REPORT

The consolidated financial statements of Forest Renewal BC for the year ended March 31, 2002 have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. These consolidated financial statements present fairly the consolidated financial position of the Corporation as at March 31, 2002, and the results of operations and changes in cash flows for the year then ended.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial statements.

Forest Renewal BC carries out its responsibility for the review of the financial statements through its Board of Directors. The external auditor has full access to the Board of Directors, with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the consolidated financial statements of Forest Renewal BC. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements.



Alex Mackie
Chief Financial Officer

June 5, 2002

Report of the Auditor General of British Columbia

To the Board of Directors of Forest Renewal BC, and

To the Minister of Forests, Province of British Columbia:

I have audited the consolidated statement of financial position of *Forest Renewal BC* as at March 31, 2002 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of *Forest Renewal BC* as at March 31, 2002 and the results of its operations and the changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Victoria, British Columbia
June 5, 2002

Wayne Strelioff, CA
Auditor General

FOREST RENEWAL BC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31,	2002		2001
	After Wind-up	Before Wind-up (Note 2)	
	($000)	($000)	($000)
ASSETS			
Current assets			
Cash and short term investments (Note 4)	-	179,190	373,345
Due from Province of British Columbia	-	122,139	80,268
Accounts receivable	-	15,270	21,244
	-	316,599	474,857
Long term investments (Note 5)		6,941	32,171
Capital assets (Note 6)	-	-	1,658
	-	323,540	508,686
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	-	4,677	3,705
Project expenditures payable	-	62,102	68,528
	-	66,779	72,233
NET ASSETS			
Appropriations	-	256,761	436,453
	-	323,540	508,686

Contingent liabilities (Note 10)

Approved by the Board

Director

The accompanying notes are an integral part of these financial statements

FOREST RENEWAL BC
CONSOLIDATED STATEMENT OF OPERATIONS

Year Ended March 31,	2002	2001
	($000)	($000)
REVENUES		
Statutory forest revenue	144,355	187,099
Investment and other income	18,032	34,443
	162,387	221,542
EXPENDITURES		
Program expenditures (Schedule 1)	251,997	270,790
Program wind-up costs (Schedule 1)	32,007	-
Administration (Note 7)	11,332	14,305
Administration wind-up costs (note 7)	4,743	-
Extraordinary items (Note 8)	42,000	-
	342,079	285,095
EXCESS OF EXPENDITURES OVER REVENUES	(179,692)	(63,553)

The accompanying notes are an integral part of these financial statements

FOREST RENEWAL BC

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended March 31, 2002 ($000)

	Appropriation for Program Continuity	Appropriation for Financing Purposes	Appropriation for Multi-Year Agreements	Total 2002	Total 2001
	Note 9	Note 9	Note 9		
Balance, beginning of year	372,201	39,271	24,981	436,453	500,006
Excess of expenditures over revenues	(179,692)	-	-	(179,692)	(63,553)
Transfers to (from) appropriations	64,252	(39,271)	(24,981)	-	-
Balance, end of year, before wind-up	**256,761**	**-**	**-**	**256,761**	**436,453**
Transfer to the Province of British Columbia	(256,761)	-	-	(256,761)	
Balance, end of year, after wind-up	**-**	**-**	**-**	**-**	

The accompanying notes are an integral part of these financial statements.

FOREST RENEWAL BC

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended March 31,	2002 ($000)	2001 ($000)
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES:		
Cash received from statutory forest revenue	102,484	316,087
Cash received from investment income	15,152	34,443
Cash paid for program expenditures	(288,677)	(262,853)
Cash paid for administrative expenditures	(15,002)	(12,619)
Cash outlay for extraordinary item	(35,000)	-
	(221,043)	75,058
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Reduction (increase) in long term investments	25,230	(8,466)
Disposal (acquisition) of capital assets (net)	1,658	(646)
	26,888	(9,112)
(DECREASE) INCREASE IN CASH DURING THE YEAR	(194,155)	65,946
CASH AND EQUIVALENTS BEGINNING OF YEAR	373,345	307,399
CASH AND EQUIVALENTS END OF YEAR	179,190	373,345

The accompanying notes are an integral part of these financial statements

FOREST RENEWAL BC

SCHEDULE OF PROGRAM EXPENDITURES BY REGION AND ACTIVITY AREA

SCHEDULE I

For the Year Ended March 31, 2002 ($000)

REGIONS	Land and Resources	Environment	Workforce	Communities	Value Added	2002 TOTAL	2001 TOTAL
Cariboo-Chilcotin	15,972	8,538	108	54	1,787	26,459	32,217
Thompson-Okanagan	16,803	16,346	147	819	2,437	36,552	37,701
Kootenay-Boundary	10,648	11,067	88	241	1,462	23,506	28,937
Omineca-Peace	37,508	16,982	235	406	3,900	59,031	54,666
Skeena-Bulkley	15,610	8,950	108	486	1,787	26,941	32,244
Pacific	33,500	37,834	1,563	1,309	5,302	79,508	85,025
Total before wind-up	130,041	99,717	2,249	3,315	16,675	251,997	270,790
Program wind-up costs						32,007	
2002 Total	**130,041**	**99,717**	**2,249**	**3,315**	**16,675**	**284,004**	
2001 Total	**138,377**	**100,636**	**5,577**	**4,968**	**21,232**		**270,790**

ACTIVITY AREA OBJECTIVES:

Land & Resources to increase investment in the forest resource and in the forest land base.

Environment to invest in the environmental values of the forests.

Workforce to foster forest employment opportunities through job training and other initiatives; assist forest workers and expand the forest workforce.

Communities to support community development and adjustment.

Value Added to promote activities that assist: i) forest industry diversification; ii) the further processing of wood supply; and iiii) increased manufacturing of wood products.

Program wind-up costs include managed funds expensed, and endowments set up during the year ($27.7 M); wind-up commitments paid out ($3 M); deferred project costs expensed ($1.3 M)

The accompanying notes are an integral part of these financial statements.

FOREST RENEWAL BC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2002
(tabular amounts in $000)

1. THE CORPORATION

Forest Renewal BC, a Crown corporation, was incorporated under the Forest Renewal Act on June 2, 1994. The purpose of Forest Renewal BC was to renew the forest economy of British Columbia, enhance the productive capacity and environmental value of forest lands, create jobs, provide training for forest workers and strengthen communities.

Under the Forest Renewal Act, Forest Renewal BC was entitled to 80% of the increases in stumpage and royalty revenue attributable to changes in rates or stumpage fees under the Forest Act that have been implemented since April 30, 1994, less an annual offset of up to $50 million. Effective June 1, 1998, the percentage of revenue received by Forest Renewal BC varied based on a new pricing structure.

The Corporation was exempt from federal and provincial income taxes.

2. CESSATION OF BUSINESS

In October 2001 Forest Renewal BC received written notification from the Province of British Columbia to cease operations on March 31st 2002. *The Budget Measures Implementation Act, 2002,* (which received Royal Assent on March 28, 2002) provides for the dissolution of the corporation and the transfer of the corporation's assets to the government of British Columbia. Although the provisions of *the Budget Measures Implementation Act, 2002* to effect these changes were not yet in force at March 31, 2002, the corporation transferred all of its assets to the government as at that date. For the most part, those assets remaining at March 31, 2002 were assigned to the Ministry of Provincial Revenue, while the Ministry of Forests assumed the liabilities.

Effective March 31, 2002, New Forest Opportunities Ltd. ceased operations and its assets and liabilities were assumed by Forest Renewal BC just prior to Forest Renewal BC's dissolution on the same date.

3. SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statements were prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and included the assets, liabilities, revenues and expenditures of Forest Renewal BC and its 100% owned subsidiary, New Forest Opportunities Ltd.

FOREST RENEWAL BC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2002
(tabular amounts in $000)

New Forest Opportunities Ltd. was incorporated on November 19, 1997. New Forest Opportunities Ltd. was established as a forest worker agency to assist Pacific Region forest workers who were displaced during the transition in the forest sector. New Forest Opportunities Ltd. assessed eligible workers, equipped them with new skills and gave them priority placement for work on Forest Renewal BC land-based projects.

Short Term Investments were carried at the lower of cost and market value.

Capital Assets were recorded at cost and were amortized on a straight-line basis over their estimated useful lives. Assets costing less than $5,000 were expensed in the year purchased. Capital assets were amortized on the straight line basis over their estimated useful lives as follows:

Building and leasehold improvements	20 years
Automobiles	5 years
Computer hardware	3 to 5 years
Computer software	3 to 5 years
Office equipment	2 years

Revenue from stumpage and royalties was recognized for all timber scaled in the fiscal year.

Use of Estimates. The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from these estimates.

4. CASH AND SHORT TERM INVESTMENTS

	2002 Cost	2002 Market value	2001 Cost	2001 Market value
Cash	14,696	14,696	5,774	5,774
Term deposits	6,727	6,727	14,895	14,895
Investments - Provincial Treasury	158,375	157,767	353,062	352,676
	179,798	**179,190**	**373,731**	**373,345**

FOREST RENEWAL BC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2002
(tabular amounts in $000)

5. LONG TERM INVESTMENTS	2002	2001
Deposit in pooled investment fund as assistance for infrastructure projects. During the year ended March 31, 2002, this was reduced to the balance of the one bond outstanding Matures September 21, 2004. Upon the wind up of Forest Renewal BC, the management of this bond was assigned to the Ministry of Provincial Revenue.		
Municipal Finance Authority of British Columbia	61	10,000
Deposits in managed investment funds – Income earned up to specified maximums for use by the universities for endowment program expenditures. These funds were all expensed during the current year, and assigned to the Ministry of Advanced Education to administer. Repayable March 15, 2029 to 2031.		
University of British Columbia	-	5,206
University of Northern BC	-	6,893
Simon Fraser University	-	3,568
Okanagan University College	-	3,500
A six year agreement renewable at July 31, 2001.		
Kootenay School Fine Arts	-	1,000
Capital funds held by the Nature Trust of British Columbia - the income earned on the fund is to be used by the Nature Trust to manage properties previously purchased. The Contribution agreement continues until December 31, 2072. Upon the wind of Forest Renewal BC, the management of these funds was transferred to the Province of British Columbia.	880	-
Deposit with Provincial Treasury – Income earned in the fund will be used by the BC Wood Specialties Group starting in 2004. The fund was established March 29, 2001 and continues until March 31, 2024. Upon the wind up of Forest Renewal BC, the management of this fund was transferred to the Ministry of Forests.		
BC Wood Legacy Fund	6,000	2,004
	6,941	32,171

FOREST RENEWAL BC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2002
(tabular amounts in $000)

6. CAPITAL ASSETS

	2002			2001
	Cost	Accumulated Amortization	Net Book Value Before wind-up	Net Book Value
Building	867	(173)	694	737
Leasehold improvements	149	(66)	83	113
Automobiles	134	(77)	57	97
Computer hardware	1,175	(1,165)	10	14
Computer software	2,588	(1,849)	739	558
Office equipment	6	(6)	0	2
Proceeds on disposal	(318)	-	(318)	-
Loss on disposal	(4,601)	3,336	(1,265)	-
	-	-	-	1,658

7. ADMINISTRATION AND WIND-UP EXPENSES

	2002			2001
	Administration	Wind-up	Total	
Salaries, wages and benefits	6,078	1,641	7,719	7,071
Professional services	1,888	580	2,468	2,847
Loss on disposal of assets	-	1,265	1,265	-
Building occupancy	815	245	1,060	932
Information systems	674	184	858	742
General operating	568	139	707	824
Forest Investment Account start up costs	-	606	606	-
Staff travel	507	83	590	780
Amortization	415	-	415	528
Advertising and publications	283	-	283	362
Board expenses	99	-	99	202
Furniture and equipment	5	-	5	17
	11,332	4,743	16,075	14,305

FOREST RENEWAL BC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2002
(tabular amounts in $000)

8. EXTRAORDINARY ITEMS

During the year, Forest Renewal BC was directed by an order-in-council from the British Columbia government to provide $35 million for a trust fund set up to help mitigate the impact on forest workers and contractors of a land use decision in the Central Coast.

On November 29, 2001, the British Columbia Ombudsman recommended that Forest Renewal BC pay the taxes and related interest for those workers who received benefits under the Forest Workers Transition Program. Forest Renewal BC had previously charged against the program a provision in the amount of $14 million for payment of the income taxes, interest, and related costs. Since the applicable program has been discontinued, and in order to comply fully with the Ombudsman's recommendation, a further $7 million was set aside for this purpose during the current year.

9. APPROPRIATIONS

Forest Renewal BC appropriated funds for the following purposes:

Program Continuity
This appropriation was established to ensure that funds were available to cover program commitments in years when Forest Renewal BC revenues fell below existing and anticipated program commitments.

Finance Purposes
This appropriation was established to set aside funds to fully cover:
- those current assets, established under agreements that were held by entities to enable them to finance program objectives; and
- long-term investments provided to entities to enable them to finance long-term program objectives.

Multi-Year Agreements
This appropriation was established to set aside funds, for future years, that were unspent and committed annually under multi-year agreements and to appropriate certain other funds committed for long term projects.

The agreements under which these funds were appropriated were either assigned to the Province of British Columbia or terminated resulting in the appropriations being transferred to net assets.